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The President's Daily Brief

January 30, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 30, 1974

PRINCIPAL DEVELOPMENTS

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The Belgian Government announced yesterday that it intends to use the EC Council session today for debate on the future of the community. The target is France [redacted]

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[redacted] (Page 2)

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The South Vietnamese are trying to exploit Hanoi's obvious embarrassment over China's seizure of the Paracels. (Page 3)

Moscow sold nearly 300 metric tons of gold for more than \$900 million last year. (Page 4)

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Soviet [redacted]

[redacted] (Page 5)

Notes on Vietnam, Bulgaria, the USSR, and Australia appear on Page 6.

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USSR - ARAB STATES

The Soviets too are probably going to have to pay considerably higher prices for Arab oil. Earlier this month, Iraq reportedly stopped shipping crude oil purchased by the USSR until a dispute over prices is resolved. Baghdad is insisting that Moscow pay the price now being asked of Western customers--about \$17 per barrel. As a result, Soviet plans to obtain 400,000 barrels per day of Iraqi oil during 1974--three times the estimated 1973 level--may be in jeopardy. Soviet purchases probably would be on a barter basis, as in the past.

The Soviets and East Europeans have encountered similar problems with other Arab oil producers. Soviet purchases of crude from Libya apparently ceased late last year when Tripoli notified Moscow that it would not load Soviet tankers unless Moscow paid higher prices. Syria has refused to export oil to Hungary under a 1973 contract calling for a price of \$5.50 per barrel. Damascus is offering to deliver crude oil this year at a price of \$18 per barrel, but Budapest is waiting for the USSR and Bulgaria to conclude price agreements with Syria.

Little of the oil purchased by Moscow is destined for the USSR, which is self-sufficient in crude oil. Most of the oil purchased abroad is sent to Eastern Europe, which relies on the Arabs for some 15 percent of its imports. If Arab oil deliveries to the USSR are substantially reduced, Moscow probably will continue to provide most of Eastern Europe's needs by cutting back on exports to the West. Even if the volume of Moscow's sales to Western Europe declined, however, Moscow's hard currency earnings would rise as long as sales are made at current high prices.

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BELGIUM

The Belgian Government announced yesterday that it intends to use today's European Community Council session to begin debate on the broad question of the community's future development. The real object of the debate will be the French [redacted]

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[redacted] The Council had been called into session exclusively to resolve the contention over regional development policy.

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Brussels has now made publicly clear its growing pessimism over the drift of EC affairs, in which the smaller members are being reduced to pawns in the struggle for national advantage by the larger powers. Belgian feeling was crystallized by the French decision to float the franc, one consequence of which was to force the Belgian franc into the emerging Deutschemark zone.

The Italians and Dutch share Belgium's dissatisfaction. Both countries are tending to put more emphasis on ties with the US, while at the same time deplored the community's failure to push ahead with unification.

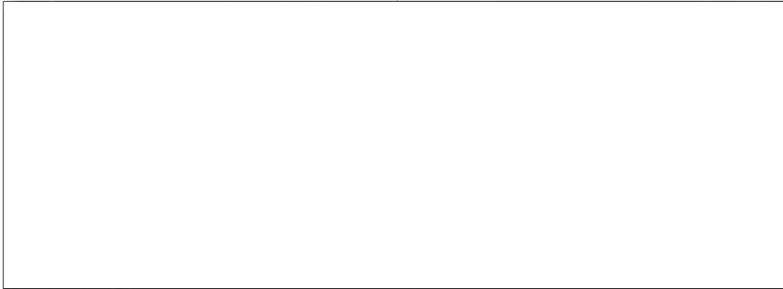
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VIETNAM-CHINA

The Thieu government is trying to capitalize on Vietnamese Communist embarrassment over Saigon's recent clash with the Chinese in the Paracel Islands. South Vietnamese delegates to both the bilateral talks in Paris last week and the Joint Military Commission in Saigon this week have proposed that the Viet Cong join them in protesting China's "armed aggression." The Viet Cong, of course, refused.

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USSR-GOLD

Moscow earned more than \$900 million from the sale of nearly 300 metric tons of gold last year. This is a record high; the Soviets had sold 158 metric tons of gold for nearly \$300 million the year before.

The Soviets resumed large-scale gold sales in 1972, after a six-year hiatus, to help finance a record \$1.4 billion hard-currency trade deficit resulting from large grain imports. Imports of grain last year contributed to an even greater hard-currency trade deficit. The record gold sales probably covered about half of last year's deficit.

The USSR probably will not have to sell gold to balance accounts in 1974. Its hard-currency balance of trade should improve considerably, largely because of reduced grain imports and higher prices for its oil exports.

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USSR

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The AN-22 is Moscow's largest aircraft; it is slightly smaller than the US C-5A.

When production of the AN-22 began in 1967, the Soviet press indicated that 100 would be built. Initially, the Soviets had problems with the performance of the aircraft; excessive vibration may have been responsible for the crash of two AN-22s during long international flights. They performed well, however, during the airlift last October.

[redacted] Until this is produced, however, the Soviets will continue to rely heavily on the AN-12, the medium transport that has been the workhorse of the Soviet fleet, as well as

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Moscow may also be able to supplement its present capability by using a new medium transport, the IL-76, four or five of which have already been produced.

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NOTES

Vietnam: Troop infiltration to South Vietnam continues. Intercepted messages suggest that North Vietnamese infiltration groups have entered the system almost daily in recent weeks, all of them headed toward central and southern South Vietnam. Total infiltration for the 1973-74 dry season now amounts to about 48,000 troops. An intercept of January 22 from a training camp in central North Vietnam disclosed that another 2,700 fresh troops will be sent south soon, apparently after they return from Tet leave. According to the message, about 1,600 of these will go to South Vietnam and 1,100 to central Laos. These will be the first troops to go to the Lao panhandle since November.

Bulgaria-US: On January 26, Kaiser Industries and the Bulgarian Ministry of Foreign Trade signed a memorandum of understanding on industrial and economic cooperation. The memorandum calls for Kaiser to produce studies on a number of high-priority projects, including a 12-million-ton steel complex, a large cement plant, reconstruction of port facilities, and possibly an aluminum combine. Kaiser estimates the potential value of the projects at \$5-\$20 billion over a 20-year period. Kaiser will seek financing from government as well as private sources, and is willing to be repaid largely in products. Only three days before, a similar agreement was signed by Kaiser in Moscow.

USSR: The Soviets yesterday brought back to earth an unmanned Soyuz spacecraft that had been in orbit since November 30. The 60-day flight probably was a test of the endurance of the Soyuz capsule in preparation for longer manned missions with a Salyut space station.

Australia: Australian Prime Minister Whitlam has assured Kuala Lumpur that Canberra is willing to keep an air squadron in Malaysia as long as the Malaysians want it. Australia withdrew its ground combat contingent late last year from the five-power defense arrangement with the UK and New Zealand covering Malaysia and Singapore, and had indicated that it would remove its air unit by mid-1975. Whitlam's promise should help convince Malaysia and Singapore that his Labor government remains interested in contributing to their security, despite Labor's basic opposition to the stationing of Australian troops abroad.

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